

**Indiana Department of Transportation  
Efficiency Task Team Report  
of the  
General Government Subcommittee  
of the  
Government Efficiency Commission**



November 8, 2004

## **I. INTRODUCTION**

The Indiana Department of Transportation (INDOT) Task Team was formed to support the mission of the General Government Subcommittee of the Indiana Government Efficiency Commission by studying the Indiana Department of Transportation for the purpose of making recommendations to improve the efficiency of this critical agency.

This report represents the work of an eight (8) member Task Team representing a variety of transportation interests within the State of Indiana. Please see Section VI of this report for a complete listing of the members of the Task Team, all of whom are unpaid volunteers. The members of the Task Team invested approximately 200 hours of their combined time in gathering and analyzing information and compiling this Report. In addition, members of the INDOT Staff invested approximately 150 hours in support of this work.

The INDOT Task Team of the General Government Subcommittee of the Indiana Government Efficiency Commission extends our sincere thanks and appreciation to those members of the INDOT Staff and those from outside of State government who contributed to this work. Without your support this work could not have been completed.

## **II. SUMMARY OF WORK PROGRAM**

The Indiana Department of Transportation (INDOT) Task Team first met on April 20, and again on April 30 of 2004. At the second meeting it was decided to establish a schedule to meet every other Friday. This schedule was followed beginning on May 14 and continued through August 20 with the exception of the scheduled May 28 meeting that was cancelled. A final wrap up meeting was held on August 31.

Because of the strictly voluntary nature of participation on the INDOT and other Government Efficiency Commission Task Teams considerable time was consumed in identifying and organizing an effective group of knowledgeable individuals who were both willing and able to perform this work.

At the first two meetings the team engaged in discussions with INDOT staff members identifying key issues on which the team should concentrate. Topics such as construction staffing, organizational structure, electronic records management, the INDOT safety plan, Hoosier Helper program, electronic toll collection, personnel, the implementation of the INDOT long range strategic plan and long range INDOT funding were discussed. The Task Team decided not to concentrate on those initiatives INDOT has the authority to implement or finish implementing.

On May 14 the Task Team decided to focus on three categories: Construction, Finance and Operations. Subsequent meeting discussions, along with the limited time to complete the assignment, led the team to concentrate on two areas which were found to impact all three categories: Personnel and Long Term Funding.

### **III. SOURCES OF INFORMATION**

The task team received presentations from a variety of INDOT staff members at the various meetings. Most notable were presentations from Mr. Tim Jeffers (Deputy Commissioner/Chief of staff who is now on Active Duty with the U.S. Army), Mr. Richard Smutzer (Chief Engineer), Mr. Rick Whitney (Chief Financial Officer), Mr. Gary Eaton (Chief Division of Budget and Fiscal Management), Mr. Phelps Klika (Deputy Chief Engineer), Jim Poturalski (Chief Division of Operations Support) and Ms. Brenda Recobs (Chief Division of Human Resources).

Significant information was presented by Mr. J. Bryan Nicol (INDOT Commissioner) regarding construction staffing and personnel issues on April 30. Mr. Nicol also made a presentation on July 23 regarding the report titled “Economic Impact Analysis of the Indiana Statewide Long-Range Transportation Plan” prepared by Bernardin Lochmueller & Assoc., Inc. along with Cambridge Systematics, Inc. A copy of this report is included in Section VII, Appendices.

Purdue Professor Kumares Sinha and graduate student Ms. Stacey Hodge presented an interim report on May 14 on the topic “An Assessment of Highway Financing Needs in Indiana”. Selected sections of their *Interim Report* are included in Section VII, Appendices.

Indiana Senate Republican Caucus Staff member, Mr. Dan Novreske, addressed the team on August 6. Mr. Novreske has considerable knowledge both of Indiana’s overall fiscal situation as well as of INDOT funding and the financing of construction projects. The Team found his perspective on the funding challenges facing the State and INDOT to be noteworthy and meaningful to the preparation of this report.

### **IV. COMMITTEE FINDINGS**

#### **Finding One – Bureaucratic Personnel Inefficiencies**

The Task Team determined that there is significant inefficient bureaucracy involved in complying with State Personnel Department directives for routine INDOT personnel transactions. It is estimated that complying with these bureaucratic directives results in increased INDOT costs of approximately \$400,000.00 per year.

It was also determined that approximately ninety-three percent (93%) of all project design work for INDOT projects is performed by outside consultants. This is a direct reflection of the below market salary structure imposed on INDOT by the State which makes it almost impossible for INDOT to hire and retain a sufficient staff of qualified engineers to perform more of this work in house. It is difficult to estimate the added costs to INDOT of

using outside consultant so extensively but one measure can be found in the high turnover of young engineers who come to INDOT fresh out of college to gain their initial experience so they can be hired by the engineering consulting firms. In effect, INDOT provides the initial training for these young engineers but often does not reap the long term benefits.

### **Finding Two – Inefficient Use of Consultants due to Hiring Restrictions**

It was determined that, because of staffing level restrictions imposed throughout the Executive Branch due to the current difficult financial condition of the General Fund, INDOT is forced to use more expensive consultants in stead of INDOT staff to provide the capacity needed to maintain project schedules through normal construction inspection and supervision functions. The Task Team's analysis shows that consultants cost INDOT approximately twice what an employee would cost, \$47.50 to \$55.65 per hour vs. \$24.28 per hour for an employee. INDOT currently has approximately \$7,000,000.00 allocated for this kind of consultant construction assistance over a two-year period.

### **Finding Three – Uncertain Future Funding**

INDOT has a long-range transportation plan for highway improvements consistent with the need to support the continued economic development of the State. However, INDOT does not have a long range funding plan consistent with and in support of the long-range transportation plan. Many of the relatively short-range funding mechanisms now in place, such as the recent bonding program, are expiring. Both of these combine to make the funding of future INDOT programs at best uncertain which in turn imposes inefficiencies on the Department.

INDOT also faces uncertainty as to the level of federal revenue INDOT will obtain from the next Federal Transportation Bill. INDOT cannot depend on an increase in federal highway funding to provide the dollars needed to meet all of the state's transportation needs as defined in the long-range transportation plan. As a result, INDOT could face a significant decrease in their construction program from the recent levels of \$750-\$800 million per year to approximately \$500 million per year. This amount would only fund preservation projects and would not provide funding for improvement projects identified in the long-range plan. Should the State fail to effectively fund the long-range transportation plan, the future economic development of the State's economy could be impaired.

It should be noted that the long-range transportation plan, if fully implemented, calls for funding of approximately \$1,250 Million over the next several years. Some long range projects, such as the two new bridges over the Ohio River, must be moved along at this

time to meet the anticipated dedication dates, even though these bridges are not scheduled to come into use until approximately the year 2020. Funding uncertainty in the next several years could seriously threaten the completion of these projects deemed vital to both the economy of Indiana as well as the economies of neighboring states.

Prof. Kumares Sinha of Purdue University has been engaged by INDOT to estimate the costs of providing for the future infrastructure needs of Indiana's highways and local roads in terms of both added capacity as well as preservation of existing infrastructure. His preliminary findings are contained in Item B in the Appendix.

Of particular significance is the estimated cost of Pavement, Capacity and Safety Needs of approximately \$18,521,043 in 2002 dollars during the period 2005 through 2020. This is equivalent to average annual investments of \$1.235 Billion during this fifteen year period without the application of either the impact of inflation or the overhead costs associated with operating INDOT. There could be needs for as much as an additional \$6.500 Billion during this time for other critical infrastructure needs in addition to the imputed Overhead costs.

As noted in this report, the currently available level of funding from all State Dedicated Funds is approximately \$550 Million per year. Keeping in mind that these estimates are in fact preliminary, it seems likely that a major funding gap exists between the INDOT Long Range Transportation Plan (LRTP) and the available funding to support this Plan. Should the State of Indiana be unable to meet the funding needs of the LRTP the economy of the State could experience significant impairment the longer the funding gap continues. Note the \$4.60 of estimated economic benefit to the State from each \$1.00 invested in highway infrastructure – there may be similar leverage on the down side.

## **V. COMMITTEE RECOMMENDATIONS**

### **Recommendation One – INDOT Authority on Routine Personnel Transactions**

The Task Team recommends that INDOT be given the authority to make their own decisions regarding routine personnel transactions such as approving exceptions to their overtime policy, approving above base salary offers, approving exceptions to the promotion policy and reclassification of existing positions. The Task Team would like to emphasize that these are routine transactions. Allowing these decisions to take place within INDOT would greatly improve efficiency and reduce annual operating costs by approximately \$400,000 per year based on current levels of activity.

### **Recommendation Two – INDOT Authority to meet Competitive Market Conditions**

As noted above INDOT has become dependent on consulting engineering firms for well over ninety percent (90%) of all project design work because it cannot meet competitive market salaries. But, INDOT in fact pays these salaries through the billings paid to the consulting engineering community. INDOT should be permitted to meet competitive market conditions. This would not mean meeting salaries dollar for dollar but rather provide salaries sufficiently close to the competitive market to enable the superior benefits of State employment to enable INDOT to attract and retain a larger staff of qualified engineers thereby reducing total INDOT costs for project design work.

### **Recommendation Three – INDOT Authority to Vary Staffing Levels**

The Task Team recommends that INDOT be allowed to vary its staffing level in order to staff construction projects in the most efficient manner. The use of relatively expensive consultants can be reduced with an increase in INDOT's construction staff. It is our judgment that INDOT is capable of planning for an efficient staffing level that best fits their anticipated workload. In turn, this would save INDOT (and the State) approximately \$7,000,000 per year based on current levels of activity.

### **Recommendation Four – Balance Long Range Funding with Long Range Transportation Plan**

The Task Team recommends that a long range-funding plan, consistent with the long-range transportation plan, be established through the Legislature using Dedicated funds as has historically been the case. This long-range funding plan must complement both the Federal Transportation Bill (when known) as well as INDOT's long-range plan.

The development of a highway project is a complex multi-year process. INDOT, as well as their partners in the construction and consulting industry, need to have a predictable funding mechanism to support efficient planning for the development and construction of highway projects. It has been estimated that for every \$1.00 invested in added capacity transportation projects the State's economy receives \$4.60 worth of economic benefits.

More specific findings and recommendations regarding the two categories of Personnel and Highway Funding can be found in the respective attachments included in the Appendices.

## **VI. INDOT TASK TEAM MEMBERSHIP**

This report submitted by the General Government Subcommittee – INDOT Task Team

Lloyd Bandy \* – Executive Director, Asphalt Pavement Association of Indianapolis  
C. Michael Byers – Executive Director, American Concrete Pavement Association –  
Indiana Chapter  
Aden Carr – INDOT - Retired  
Donald Cook – Member, General Government Subcommittee – INDOT Liaison  
Bradley Davis\* – Hamilton County  
Charles V. Kahl – Executive Director, Indiana Constructors, Inc.  
Randy Kron – Indiana Farm Bureau  
Michael Mathias – Midwestern Engineers Inc.  
Various Staff Members of the INDOT

\* Task Team Leaders

## **VII. APPENDICIES**

### **ITEM A**

“Economic Impact Analysis of the Indiana Statewide Long-Range Transportation Plan”  
prepared by Bernardin Lochmueller & Assoc., Inc. along with Cambridge Systematics,  
Inc.

### **ITEM B**

Selected excerpts form “An Assessment of Highway Financing Needs in Indiana”,  
prepared by Prof. Kumares Sinha and Ms. Stacey Hodge of the Purdue University School  
of Civil Engineering

### **ITEM C**

CORRESPONDENCE FROM THE GOVERNMENT EFFICIENCY COMMISSION  
PERSONNEL TASK TEAM

See Attachment A

### **ITEM D**

Personnel Issues: See Attachment B:

### **ITEM E**

Long Term Funding Plan Issues: See Attachment C:

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**ITEM F**

Task Team Meeting Minutes



## **ATTACHMENT A**

### **INDOT PERSONNEL ISSUES**

#### **COMMUNICATION WITH THE GEC PERSONNEL TASK TEAM**

In response to the problem statements from your INDOT Task Team, the Personnel Task Team asked INDOT Human Resources and the State Personnel Department (SPD) for specific information regarding the processing times for overtime exceptions and other compensation requests. Given the approaching deadline for our Report and other time restraints, we have not analyzed the intricate details behind each of the examples given to us by Ms. Recobs.

However, the following reflects our information and thoughts to date:

The are likely dozens of compensation requests submitted by INDOT each year. The information our Task Force received cited only 9 cases over a 3 year time period. We noticed there is a difference between the timeframes given by INDOT and SPD logs.

For example, the overtime exception example we received from INDOT said the request was submitted on 12/22/03 and approved on 1/21/04. SPD confirms 12/22/03 as the date submission date, received by SPD on 1/12/04 and signed by the SPD Director the same day and approved by the Budget Director on 1/14/04. Since then, SPD logs show they have received 2 other overtime exception requests from INDOT...one was processed in 2 days and the other in 7 days.

The conclusions we have reached are that there is a good deal of opportunity for improvement in these work processes as well as a need for more effective information sharing about the reasons for SPD's oversight role and the methods/standards they use to manage that responsibility. While the State agencies may perform entirely separate functions, State Government is viewed by the courts and Federal regulatory agencies as a single employer. The potential liability for equal pay claims and violations of the Fair Labor Standards Act that could be incurred, if the SPD abdicated this responsibility, is enormous.

It is our understanding that a multi-agency online tracking system is already in development. This system should give INDOT more accurate information and allow them to better follow the progress of their requests. From a unified tracking system, metrics can be developed to measure turnaround time and identify items that are often delayed or require resubmission due to incomplete information. Data could also be used to identify agencies which require additional support and training to ensure their requests are complete and within policy standards. This tracking system will enable everyone to identify areas of unnecessary delays which merit attention in reducing processing times.

We anticipate the SPD Task Team's recommendations will include, but will not be limited to, the following:

- 1) Conduct multi-agency process analysis for the hiring process and common compensation requests. Participants should include representatives of major State agencies, SPD, Budget Agency and the IT staff. Quantify cycle times and direct cost associated with major activities in these process flows. Implement continuous

improvement principles to monitor and improve centralized administrative procedures. Use results to identify opportunities for reducing steps, processing times, simplifying forms, delegation of authority and use of technology to ease information storage, sharing and analysis.

2) Educate agency management about the need for coordinated oversight to avoid litigation and major financial liabilities.

3) Finalize joint tracking system for compensation request, using the same numbering system throughout the process 4) SPD should continue its efforts to educate agencies on the reasons for its oversight as well as the processes, standards and priorities it uses to process requests.

It is our understanding the IT Task Team has been looking at PeopleSoft issues...including the problems which arose during open enrollment and the lack of integration with the Payroll system. Our Task Team is certainly interested in having these problems resolved, but we defer to the IT Team's judgment in identifying the specific technological solutions.

We hope the above information is helpful to you in reevaluating your Task Team's problem statements and "fine tuning" your final recommendations. Please let us know if we can be of further assistance to you.

Bob McKinney and Jennifer Vigran, Co-Chairs  
General Government Subcommittee Personnel Task Team

## **ATTACHMENT B**

Government Efficiency Commission

### **General Government Subcommittee INDOT Task Team**

#### **Personnel Issues**

The Task team has met several times with INDOT representatives when personnel related issues were discussed. Based on those discussions it was decided to devote one full meeting to this issue. This meeting was held on June 25, 2004.

INDOT presented the Task Team with specific personnel related issues that they felt prohibit timely, efficient execution of Human Resource transactions. This inefficiency has a distinctly negative affect upon the whole Department.

#### **FINDINGS**

The task team's review of this area has revealed the following facts:

- INDOT is a dedicated fund agency. They do not use General Fund revenue.
- INDOT is one of few agencies that have a fully staffed, fully capable Human Resource Division.
- The bureaucracy involved in complying with State Personnel directives has created a time consuming, inefficient process.

Specific examples include:

- INDOT must obtain the State Personnel Dept.'s (SPD) approval for exceptions to INDOT's own overtime policy. This approval process requires much effort on the INDOT staff to prepare the requests and required documentation. The approval process averages 4 weeks. There are approximately 24 exception requests made per year. Waiting on this approval causes delay in project completion and hinders their ability to quickly react to situations requiring additional specific human resource. Past recommendations have not been denied.
- INDOT must obtain SPD's approval to offer a job candidate an above minimum base salary. This approval process requires much effort on the INDOT staff to prepare the required request and documentation. The approval process averages 6 weeks. Quality job applicants are discouraged and frequently can't afford to start at INDOT's base salary nor wait for SPD and INDOT to agree to a salary offer. Quality job candidates are lost, which lengthens the time frame even further in

getting positions filled. SPD, in time, usually approves INDOT's recommendations on an above base salary offer.

- INDOT must obtain SPD's approval for exceptions to the promotion policy. This approval process requires much effort on the INDOT staff to prepare the required request and documentation. This approval process averages 6 weeks. Some exceptions to the policy are needed when a selected internal applicant is "jumping over several classifications. SPD has approved INDOT's past requests.
- INDOT must obtain SPD's approval to reclassify existing positions. This approval requires much effort on the INDOT staff to prepare the required request and documentation. This approval process averages 6 months. Some have taken years. This has a negative effect on the morale of employees. The length of time required greatly hinders the Dept.'s ability to quickly adjust their workforce to the changing dynamics of the agency.

Other facts to mention include:

- A general statewide hiring freeze that includes INDOT does not help the General Fund. The Hiring Freeze Committee has always, in time, approved INDOT's requests to fill positions. This process adds at least an extra two to four weeks in the hiring process. The requirement that INDOT participate in a hiring freeze process only creates delay and hardship in their quest to fill vacant positions.
- INDOT must submit to the SPD all corrections to employee's insurance benefits for review and correction. This approval process averages 4 weeks. This has had a negative effect on employee morale. Employees have been denied coverage during the review process. Some employees have ultimately been sent to collection agencies because of expenses incurred while not covered due to the inability to make timely insurance coverage corrections.
- The implementation of the Peoplesoft program has created many problems. It is clear that the abilities and access to computers by field personnel was not understood before implementation. The process of "coaching" people through the process and correcting errors with the process has been extremely expensive in terms of the time expended. Furthermore it has been reported that the program is not user friendly, reports are difficult to run, identification numbers are used for employees, not names, requiring researching an issue difficult.
- INDOT does analyses of all personnel transactions before the requests are sent to SPD. INDOT verifies that the specific transaction requested meets with the requirements of the SPD, Union Settlement, and State/Federal laws. They also verify that the transaction is financially acceptable by doing a budget impact analysis. INDOT, not the SPD, performs these activities.
- INDOT's construction program has nearly doubled in the past decade. Staffing levels have decreased during this period creating a severe shortage of trained construction management personnel. In fact, INDOT has had to supplement its own workforce by using consultants to help staff construction projects. Currently there is approximately \$7,000,000.00 allocated for consultant construction assistance

over a two-year period. Analysis has shown that consultant help costs the Department approximately twice what an INDOT employee would cost, \$47.50 to \$55.65 per hour vs. 24.28 per hour for an employee. The reason INDOT cannot be cost efficient in manning construction projects is that they are not allowed to increase their head count. This restriction has also created large overtime expenditures since many projects require contractors to work extended hours, even 24 hours per day for “fast track, Hyperfix” type projects. Overtime can be reduced with additional staff to allow shift schedules for these types of projects. This would have a positive morale effect for employees as well.

## RECOMMENDATIONS

Based on the facts and the discussions related to this issue, the Task Team has the following **Recommendations**:

- INDOT should be given the authority to approve exceptions to the overtime policy. This may require that the INDOT policy be re-written to better reflect their needs and a revised approval process. The monthly savings are estimated to be \$10,000.00. This includes an estimation of the administrative costs in complying with SPD requirements and the effect on project delays.
- INDOT should be given the authority to determine and offer an above base salary to a selected applicant. This would need to be within the position salary range and commensurate with the applicants qualifications. The monthly savings are estimated to be \$15,000.00. This estimate includes the increased overtime pay for employees covering the workload while waiting on the lengthy process to get a position filled.
- INDOT should be given the authority to make exceptions to the promotion policy. This may require that the policy be re-written or one developed for INDOT to reflect their needs and a revised approval process. The monthly savings are estimated to be \$5,000.00.
- INDOT should be given the authority to reclassify existing positions. This would allow INDOT the ability to quickly adapt their workforce to their ever-changing needs.

Note: The above four recommendations are meant to eliminate the bureaucracy and severe time delays involved with processing personnel transactions. INDOT currently evaluates all transactions so they are within position guidelines and are fiscally sound. INDOT should continue to inform SPD of all transactions and be subject to SPD audit. INDOT should be given the responsibility for the transactions and be held accountable for them. The current process, waiting on SPD approval, was found to be an unnecessary step for INDOT that does not add any value to the process and generates no savings to state generated fund revenues.

- INDOT needs relief from head count restrictions in order to give it the flexibility to employ the staff necessary to manage its construction program in the most cost effective manner. It can be shown that more employees can save money. Furthermore, allowing additional head count will help provide a sufficiently trained workforce (it takes 3 years of training to become a certified inspector) to replace an aging construction supervision workforce. Data shows that approximately 25% of the current construction supervision staff are eligible for retirement within the next five years. Additional construction personnel, justified by reducing consultant expenditures, would also provide the Department with additional personnel for winter operations. Currently INDOT has less than the desirable minimum of 2.0 drivers per snow route for sustained 24-hour snow removal operations.
- INDOT should not be subject to a hiring freeze unless their revenue falls short of projections creating a budget shortfall. INDOT's budget is derived from gasoline tax revenue. Forcing INDOT to go through a Hiring Freeze Committee only creates delay. Their review does not add any value to the process nor save General Funds. Eliminating the requirement that INDOT participate in a hiring freeze would save approximately \$3,000.00 per month. This includes the time in the preparation, review and approval process as well as the savings from less consumption of paper and fax machine usage.
- INDOT should be allowed to enter insurance corrections directly. They can provide documentation to SPD after the fact. The current practice of forwarding documentation to SPD for them to make the correction is unconscionable in the effect this has had on employees.
- The process of using Peoplesoft should be reviewed with changes to make the program more user friendly for the INDOT environment, since most employees are field employees. Paper applications for use during open enrollments that can later be entered into the system at select locations by properly trained personnel would greatly improve the process.

## CONCLUSIONS

INDOT's Human Resource Division has been functioning for over 25 years and is fully capable of handling the Department's personnel needs. The delay caused by routing all requests for exceptions to policies to SPD has an adverse effect on the Department. Obtaining SPD approval does not add any value to the decision process. SPD should serve in an advisory, monitoring and auditing capacity. INDOT should be allowed to conduct business within the boundaries of their budget, Union Settlement and State/Federal laws. INDOT should be considered as separate from other General Fund agencies, as no General Funds are used to operate the Department.

A savings of approximately \$400,000.00 per year can be achieved just by eliminating the requirement of obtaining SPD approval for routine transactions. This includes reduced overtime costs by filling positions much quicker, much less administrative time spent in preparing required documentation, less delay in project completion by being able to timely adapt to changing staffing needs and, of course, much less paper and office machine usage.

Note: Additional savings of time and effort can be derived from SPD by eliminating their need to process and handle INDOT requests. An estimate of dollars that could be saved was requested from the SPD.

Significant savings can be obtained by reducing the Departments reliance on consultants to help manage construction projects. INDOT can determine the appropriate construction staffing levels for the anticipated construction workload to achieve the most cost effective mix of consultants and employee staffing.

**Empowering INDOT with the flexibility to manage the relatively routine personnel transactions and determine the appropriate construction staffing levels will save significant amounts of time and money allowing for a much more efficient Department and, perhaps more importantly, greatly improved customer service.**

## **ATTACHMENT C**

### **Government Efficiency Commission General Government Subcommittee INDOT Task Team**

#### **Category Two – Long-Term Funding Plan Would Aid INDOT/Industry Efficiency**

Several facts make it apparent that a plan to address the long-term funding needs of the Indiana Department of Transportation (INDOT) would help the agency efficiently meet the transportation needs of the State. Having a long-term funding solution in place would also help the industries that work with INDOT dedicate sufficient resources so that the necessary personnel and equipment are available.

The current process of short-term fixes that provide funding for a few years is disruptive to adequate planning by both INDOT and industry. It is difficult to adequately gear up for a growing program when there is uncertainty about future funding levels.

The following facts need to be considered:

**FACT 1:** INDOT engineers and planners have developed a 25-year Long Range Plan that details major capacity expansion projects that need to be built if the State is to have a system that is adequate to serve expected freight and travel demands and help grow the Hoosier economy.

**FACT 2:** Building the projects in the Long Range Plan will require that INDOT's construction budget grow from its FY 2004 level of \$777 million to \$900 million in FY 2005, to over \$1 billion by 2007 and \$1.2 billion by 2009.

**FACT 3:** The funding levels shown in Fact 2 are in constant 2004 dollars and do not reflect the rate of inflation. Thus, the amount of funds needed to construct these projects is likely to be even higher.

**FACT 4:** The benefits of building the projects in the plan have conservatively been quantified (based on an analysis by Cambridge Systematics, Inc.) as follows:



- **For every \$1 that the Plan invests in added capacity projects, the return on that investment to the State of Indiana is \$4.60.**
- **The total economic impact of the projects in the Plan is a discounted net present value of \$13.8 billion (in 2000 dollars, assuming a 7% discount rate).**
- **In 2025, at the completion of the current Plan, annual direct undiscounted benefits to users of Indiana's transportation system will equal approximately...**
  - ☐ **\$1.9 billion due to travel time savings**
  - ☐ **\$236 million due to vehicle operating costs savings**
  - ☐ **\$508 million in savings due to reduced traffic accidents**
- **By 2028, the annual macroeconomic impact benefits for Indiana due to added capacity projects in the Plan include...**
  - ☐ **\$1.1 billion in real personal income**
  - ☐ **\$15,000 jobs**
  - ☐ **\$2.2 billion gross state product**
  - ☐ **\$4 billion in output**
- **Industries benefiting the most from the investments in the plan include...**
  - ☐ **Manufacturing**
  - ☐ **Transportation**
  - ☐ **Warehousing**
  - ☐ **Retail Trade and Services**

**FACT 5:** With the completion of the current bonding program in the next year, the INDOT construction budget will decline from the current \$777 million level to \$674 million in FY 2005 and \$487 million in FY 2006.

**FACT 6:** Maintaining the existing state highway system at its current condition requires an annual investment of about \$500 million in current dollars. This only includes basic maintenance to maintain pavements in their current condition and does not increase capacity of the system.

**FACT 7:** Without any funding increase, INDOT will have insufficient funding to maintain the current system by 2006, let alone build any of the projects in the Long Range Plan.

**FACT 8:** INDOT cannot depend on an increase in federal highway funding for the dollars needed to meet all of the state's transportation needs. While there is great uncertainty as to how Indiana will fare under the federal highway bill now being considered in Congress, the most optimistic projections would only enable INDOT to maintain a construction budget at about the 2004 level. At the other end of the spectrum, future funding levels could fall further if efforts to improve Indiana's rate of return from the Federal Highway Trust Fund are not successful.

**FACT 9:**

- **Two cents of the State's gas tax as well as a portion of BMV fees are committed for bond payments for at least the next decade and not available for construction or maintenance.**
- **In addition, another three cents of the State's gas tax goes to non-highway purposes such as the Bureau of Motor Vehicles, State Police and the Department of Revenue.**

**FACT 10: The revenue side of the Long-Range Plan assumes an annual 8% growth in available funds for the next six years with a slower funding growth thereafter. However, this growth will not occur without action by the Indiana General Assembly and governor.**

**CONCLUSION: Improving Indiana's highway network is an important part of growing Indiana's economy. INDOT's 25-year Long-Range Plan sets out the added capacity highway projects that are most critical to economic growth and mobility. While building these projects will require a significant investment of the state's resources, studies have shown that the return on this investment is more than four fold. Since failing to make this investment leaves the Hoosier economy at a competitive disadvantage compared to other states and nations that are making prudent investments in their infrastructure, the Indiana General Assembly and governor must assure that a long-term and stable funding plan is in place so INDOT can move forward with implementation of its Long-Range Plan.**

## **GOVERNMENT EFFICIENCY COMMISSION GENERAL GOVERNMENT SUBCOMMITTEE INDOT TASK TEAM MEMBERS**

**August 31, 2004**

**Team Members Attending:** Lloyd Bandy (Executive Director – Asphalt Pavement Association of Indiana), C. Michael Byers (Executive Director – American Concrete Pavement Association-Indiana Chapter), Donald Cook (General Government Subcommittee Liaison), Bradley Davis (Hamilton County), Charles V. Kahl (Executive Director – Indiana Constructors, Inc.), Randy Kron (Indiana Farm Bureau) and Michael Mathias (Midwestern Engineers, Inc.).

**INDOT Staff Support Members Attending:** Gary Eaton (Chief, Budget & Fiscal Management Division), Tim Jeffers (Chief of Staff & Deputy Commissioner of Highway Operations), Phelps Klika (Deputy Chief Engineer) and Richard Whitney (Deputy Commissioner & Chief Financial Officer).

**Guest Attending:** Mike Smith (State Budget Agency Director).

### **Call to Order**

- Mr. Kahl, Co-Task Team Leader, called the meeting to order at 9:08 a.m. Self-introductions were made.

### **Agenda Items**

- Minutes of August 20, 2004
- Category One – Personnel Issues
- Category Two – Long-Term Funding Plan Would Aid INDOT/Industry Efficiency
- Final Report
- Memo from Stephen W. Baranyk – Chairman, General Government Subcommittee

### **August 20, 2004 Minutes**

Following discussion, it was determined that the August 20 minutes be amended as follows:

- First point on page two should be changed to read, “Even if their timeline is correct, a 20-day delay in approving an overtime exception is too long.”
- Final bullet point on page two should be changed to read “In addition, the following observations were made:”

- In response to Attachment B of the minutes – a memo from [Hrbottomline@cs.com](mailto:Hrbottomline@cs.com) - the team decided that a reply should be sent that thanks them for their comments, noting that while they were considered, they have not changed our position. Mr. Davis agreed to write the memo and attach the amended minutes of August 20, 2004, explaining that our position is included in those minutes.
- On a motion by Mr. Bandy, seconded by Mr. Mathias, the minutes of August 20 were accepted

#### **Category One – Personnel Issues**

- On a motion by Mr. Cook and seconded by Mr. Mathias, *Category One – Personnel Issues* was adopted as presented.

#### **Category Two – Long-Term Funding Plan Would Aid INDOT/Industry Efficiency**

Following discussion, it was determined the following changes be made to the Category Two paper:

- Fact 9 on page two should be changed to two bullet points that would include:
    - 📄👉 Two cents of the State's gas tax as well as a portion of BMV fees are committed for bond payments for at least the next decade and not available.
    - 📄👉 In addition, another three cents of the State's gas tax goes to non-highway purposes such as the Bureau of Motor Vehicles, the State Police and the Department of Revenue.
  - The Conclusion on page three should be changed so that it ties in with statements made in paragraphs one and two of the paper. In addition, the following data from the Final Report should be incorporated into to the Conclusion:
    - 📄👉 The Task Team Recommends that a long-range funding plan be determined and implemented. This plan needs to complement the Federal Transportation Bill (when known) and INDOT's Long-Range Plan. The development of a highway project is a complex multi-year process. INDOT, as well as their partners in the construction and consulting industry, need to have a consistent funding mechanism in order for them to effectively plan for the development and construction of highway projects.
- II. On a motion by Mr. Cook and seconded by Mr. Kron, *Category Two – Long-Term Funding Plan Would Aid INDOT/Industry Efficiency* was adopted contingent on the changes listed above being made.


### **Final Report**

Following discussion the following changes were made to the *Final Report*.

The last sentence of paragraph three under III. Summary of Work Program should read “This final report addresses two areas which were found to impact all three categories: Personnel and Long Term Funding. Mr. Jim Poturalski (Chief, Division of Operations Support) should be added to the first paragraph of IV. Summary of Testimony.

Section V should be divided into two subsections: Committee Findings and Committee Recommendations.

The following sentence taken from the Category Two recommendation should be inserted after the fourth sentence in the third paragraph of Section V.  
Committee Findings:

 INDOT cannot depend on an increase in federal highway funding for the dollars needed to meet all of the state’s transportation needs.

A listing of all INDOT Task Team members should be added to the end of the Final Report.

On a motion by Mr. Mathias and seconded by Mr. Kron the Task Team adopted the final report contingent on the above changes being made.

### **Memo from Stephen Baranyk – Chairman, General Government Subcommittee**

The Task Team discussed the memo from Chairman Stephen Baranyk regarding instructions for submitting reports and supporting documents. Mr. Kahl said that it was his plan to send the Final Report, along with a lengthy list of attachments (including all minutes, handouts and the Cambridge Study) to the Executive Director of the Legislative Services Agency as directed in the memo. Mr. Kahl will electronically submit the Final Report with attachments by Friday, September 3 and will copy all Team participants.

### **Adjournment**

With no further business, the final meeting of the General Government Subcommittee – INDOT Task Team was adjourned at 11:00 a.m.

Submitted by Charles V, Kahl, ICI  
August 31, 2004

**GOVERNMENT EFFICIENCY COMMISSION  
GENERAL GOVERNMENT SUBCOMMITTEE  
INDOT TASK TEAM MEMBERS**

**August 20, 2004**

**Team Members Attending:** Aden Carr (retired), Donald Cook (General Government Subcommittee Liaison), Bradley Davis (Hamilton County), Charles V. Kahl (Indiana Constructors, Inc.), Randy Kron (Indiana Farm Bureau), and Michael Mathias (Midwestern Engineers, Inc.).

**INDOT Staff Support Members Attending:** Tim Jeffers (Chief of Staff & Deputy Commissioner of Highway Operations), Phelps Klika (Deputy Chief Engineer), and Richard Whitney (Deputy Commissioner & Chief Financial Officer).

**Call to Order**

- **Mr Kahl, Co-Task Team Leader, called the meeting to order at 9:37 a.m. Self-introductions were made.**

**Agenda Items**

- **Category One Personnel Issue Recommendation – Discussion of Input from Personnel Task Team**
- **Category Two Funding Recommendation – Consider Proposed Draft**












**August 6, 2004 Meeting Minutes**

- **CONSENSUS:** The meeting minutes as presented (Attachment A) are reflective of the August 6, 2004 discussion. Mr. Mathias did request copies of Attachments B, C, and D.



**Category One Personnel Issue Recommendation**

- **Mr. Kahl distributed copies of a memo (Attachment B) sent by the co-chairs of the Personnel Task Team. This memo was in response to an earlier draft of the INDOT Task Team's recommendation on Personnel Issues and refutes what INDOT has been saying about difficulties with the State's personnel system.**
- **Mr. Davis distributed a revised Category One recommendation that combines the personnel issues with the concerns about having adequate personnel to administer INDOT's construction program.**
- **The Task Team discussed the memo from the Personnel Task Team in detail. Task Force members expressed concern about inconsistent messages that could go to the Government Efficiency Commission and to legislators and the possible impact this could have on the**

**credibility of the INDOT Task Team's recommendation. Considerable consideration was given as to how best to respond to the memo. Pertinent thoughts from the INDOT representatives included:**

-  Even if their timeline is correct, a 20-day delay in approving an overtime exception is too long.
-  There is a wide disparity in state agency salaries even with State Personnel's involvement.
-  Almost everything that INDOT requests from State Personnel is eventually approved. The problem is the long delay in getting this approval.
-  A pay increase by State Personnel for surveyors in the Department of Natural Resources resulted in pay increases for INDOT survey personnel even though this made the pay for these unskilled INDOT workers higher than INDOT's other unskilled personnel.
-  It often takes three submissions to State Personnel before INDOT gets a response.
-  State Personnel's (lack of) efficiency is atrocious in terms of handling reclassifications, above minimum salary levels, and requests to add positions.
-  State Personnel has been investigating one complaint for more than six months.
-  State Personnel is examining the possibility of taking over all human resource (HR) functions for all state agencies.
-  State Personnel should have an advisory role to help agencies handle their HR functions better. It should act only if an agency goes outside certain guidelines.
-  Reclassifying workers is a resource-eating process. INDOT still has positions classified as draftsman even though the department has not had a person doing that type of work for at least 10 years.
-  The system is failing miserably. It is broken. This is not anyone's personal fault, the problem is the system.

♣ In addition, the following observations were made:

-  There is a glaring discrepancy between pay for INDOT's lowest-level district staff (24-hour radio operators) and similar positions in other agencies. This was brought to State Personnel's attention several years ago but still has not been addressed.
-  We're only asking relief for routine transactions.







**UNANIMOUS CONSENSUS:** After this discussion, the Task Team continues to believe its recommendation is valid and will move forward with its recommendation that INDOT be given more authority for handling its HR functions. Nothing in the memo from the Personnel Task Team has altered this Team's view that INDOT has serious personnel problems due to slow response from State Personnel. While agreeing that State Personnel should have an oversight function, the INDOT Task Team believes INDOT needs the authority to make many of the personnel decisions for the agency. Efforts to prevent such change or to water down the INDOT Task Team's recommendation are viewed as perpetuating bureaucratic inefficiencies.

### **Revisions to Category One Recommendation on Personnel Issues**




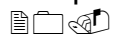




Mr. Kahl moved that the Team adopt the revised recommendation that combines the personnel concerns with contract administration concerns. This was seconded by Mr. Cook and adopted unanimously.

Mr. Kahl agreed to put the Team's recommendations in the proper format for the Government Efficiency Commission.

### **Category Two Long-Range Funding Recommendation (Attachment C)**

- Mr. Kahl explained that he added a title and conclusion to the recommendation.
- The Task Team discussed funding issues. Significant comments included:
  -  An INDOT representative noted that the lack of a new federal highway bill is holding INDOT down and that a combination of state and federal funding is needed.
  -  An INDOT representative added that knowing future funding levels would allow INDOT to plan.
  -  An INDOT representative pointed out a connection between the Category One and Category Two recommendations – if funding is increased, INDOT isn't able under the current personnel system to adjust its operations for a bigger program. He also said INDOT now has less staff than it had in 1980 when the construction program was \$150 million.
  -  An INDOT representative also noted that even if INDOT were to outsource some functions, INDOT would still not have enough people to manage the hired resources.
  -  In response to a question of what the impact on personnel would be of a reduced construction budget, an INDOT representative said INDOT would just reduce the number of consultants it is using.
  -  Mr. Kahl asked the Team who must take action to address the funding shortfall. An INDOT representative said it is the state legislature that must vote for a gas tax increase.



-  Mr. Mathias said other options include indexing and using the sales tax on gasoline for highways.
-  An INDOT representative said options other than the gas tax need to be considered for the future because of increased emphasis by car manufacturers on hybrid cars. He said national direction is needed so that each state doesn't go a different direction.
-  Mr. Mathias didn't think the Task Force should recommend a specific funding approach.
-  An INDOT representative said the General Assembly's transportation committees should develop a policy recommendation. However, the reality is that funding matters are addressed by the Ways & Means Committee late in the legislative session.
-  Mr. Davis suggested that the Team's recommendation state the facts and the problems of not having a consistent funding source. Future funding needs to be known for INDOT and industry to be efficient. There needs to be a reasonable assurance that funding will be available to build the projects being designed. He suggested a five-year funding program to fund the long-range plan.
-  Mr. Kron said the system is very inefficient if INDOT plans for several projects but the funding is not available to build those projects.
-  An INDOT representative said a long-term state funding mechanism must be provided to compliment the federal six-year funding process. The benefits of this funding need to be detailed.
-  Since members of the Indiana General Assembly like to direct funding to certain projects, an INDOT representative suggested that INDOT's Long Range Plan would not be the only source for determining which projects are funded. Legislators may want to give certain projects priority if they have to agree to a tax increase.

### Next Steps

- ♣ The Category Two recommendation will be revised based on today's discussion and then sent to Task Team members for feedback. Draft minutes from today's meeting and an initial summary report will be distributed to Task Team members for review no later than August 27. Mr. Kahl will work on the recommendation and the Category Two recommendation; Mr. Davis will work on the summary report.
- ♣ Mr. Cook suggested that the final report should be signed by all Task Team members.
- ♣ The next meeting was set for Tuesday, August 31, 2004 from 9:00 a.m. until 12:00 noon.

## **INDOT TASK TEAM MEMBERS**

August 6, 2004

Team Members Attending: C. Michael Byers (ACPA-IN), Donald Cook (General Government Subcommittee Liaison), Bradley Davis (Hamilton County), Charles V. Kahl (Indiana Constructors, Inc.) and Randy Kron (Indiana Farm Bureau).

INDOT Staff Support Members Attending: Gary Eaton (Chief, Budget & Fiscal Management Division), Tim Jeffers (Chief of Staff & Deputy Commissioner of Highway Operations), Mike Smith (State Budget Agency Director) and Richard Whitney (Deputy Commissioner & Chief Financial Officer).

Government Efficiency Commission Member Attending: Stephen W. Baranyk (General Government Subcommittee).

Guest Attending: Dan Novreske, Staff, Indiana Senate Republican Caucus.

### **Call to Order**

- Mr. Kahl, Co-Task Team Leader, called the meeting to order at 9:35 a.m. Self-introductions were made.

### **Agenda Items**

- Remarks by Mr. Novreske
- Finalization of Recommendation One on personnel issues
- Discussion of Recommendation Two on project staffing

### **July 23, 2004 Meeting Minutes**

- **CONSENSUS:** The meeting minutes as presented [Attachment A] are reflective of the July 23, 2004 discussion.

### **Remarks by Dan Novreske**

Mr. Kahl welcomed Mr. Novreske, thanked him for attending and said that it would be helpful for the Task Team to hear a perspective on INDOT from a non-INDOT employee who is familiar with general INDOT operations.

Mr. Novreske prefaced his comments by stating that he was not attending in an official capacity as a partisan member of the Senate Republican staff, but from the perspective of a person with 30 years of experience with state budgets and a great respect for INDOT. He said he prepared for the meeting by reviewing INDOT's annual report, the INDOT Task Team meeting minutes and transportation-related press releases issued by the Governor's office. He noted that he had not performed any type of detailed analysis of INDOT's budget. His comments included the following:

- The state's general fund is experiencing the worst fiscal problems of the last 30 years. Compared to the rest of state government agencies, INDOT has been well funded the past few years. Being perceived as having deep pockets and having more money than others can cause as many problems as not having enough money. There is tremendous pressure on INDOT to fund all it can, and when funding is available, it is easier to grant those requests.

- One source of INDOT's funding, the bonding program, is nearly exhausted, and another – the 1¢ dedicated to INDOT from a gas tax increase – provides approximately \$30 million per year.
- Without assistance from the General Assembly or increased federal funding, INDOT's annual budget is expected to drop from the current annual level of \$750 million to \$500 million next year. At that level, INDOT will be able to preserve the current system but have no funding for expansion projects.
- The General Assembly will eventually establish revenue-generating streams such as a bonding program or a gas tax increase, but it is unlikely that will happen in the 2005 legislative session. INDOT's short-term challenge will be to operate its program on a decreased budget; its long-term challenge will be to get the program back to current funding levels. Increased federal funding levels are unlikely in the next year and issues such as health care and education will be at the forefront of the State's spending focus in 2005.

Remarks by Dan Novreske, continued

- INDOT's Long-Range Plan outlines projects anticipated through 2030. Assumptions have been made on future funding levels averaging \$1.2 billion per year over 25 years, which drives how resources are allocated today. With the \$250 million drop this year alone and no current plans to restore power in an existing bond program or increasing the gas tax, INDOT faces a difficult task. It is unlikely that the state would restore the bond program to return to the \$750 million funding level, only to make a significant increase on top of that.
- It is questionable that INDOT will ever achieve a \$1.2 billion annual program. INDOT is projecting that funding level and is involved now in the design of projects that won't be built for another 15 years.
- INDOT's funding level has at least doubled in the last five years, and its use of outside consultants has more than tripled during that time frame. Has INDOT's increased use of outside consultants allowed it to take on work that is facilitated by having a high number of outside consultants? An example given was the awarding of \$2 million in planning grants to communities along the proposed I-69 corridor, for which there is no appropriation.
- As part of its quest for adequate funding from the legislature, INDOT must demonstrate need and illustrate the economic benefit the transportation system has on the state.

**Mr. Novreske said he agreed with many of the issues raised in the Task Team's recommendation on personnel. His comments included the following:**

- The time and effort state employees must devote to complying with state personnel directives has resulted in an inefficient process, even though most justified requests are eventually granted by the State Personnel Department (SPD).
- INDOT's pay and classification system is outdated, especially for entry-level positions.
- INDOT's primary mission is to build and maintain the roads throughout the state. INDOT should be able to prove to SPD that all exceptions granted to date have been made to further that mission.

**The discussion focused on the time it takes to complete a project and about barriers (environmental issues, utility relocation, right-of-way acquisition, public hearing process, etc.) that sometimes prohibit condensing project timelines. It was noted that part of the reason the HPERFIX project was completed so quickly is that the project entailed rebuilding an existing road that was totally closed to traffic, and the project was staffed 24 hours a day. It was also noted that there was no right-of-way acquisition process to complete. Mr. Jeffers said that INDOT utilizes a number of project delivery methods, including FastTrack, which is used in reaction to economic need. A suggestion was made for INDOT to include information in the next update of its Long-Range Plan on the type of delivery method that will be used on planned projects, and the source of funding for those projects.**

**Mr. Kahl distributed the draft of recommendation three [Attachment B] on the need to fund INDOT's Long-Range Plan, which was drafted after the Commissioner reviewed highlights of the INDOT-commissioned study by Cambridge Systematics, Inc. at a recent Task Team meeting. Mr. Jeffers explained that INDOT will use the data from the study as a measuring tool for its productivity and effectiveness, and to get a sense of the economic impact INDOT's work has on the state. Mr. Cook noted that there should be no more than a 10% difference between likely funding levels and the funding levels necessary to fulfill the Plan. Mr. Kahl questioned whether INDOT's plan should be constrained by the amount of funding currently available. Mr. Novreske suggested INDOT cannot take a "wait and see" attitude, but should work with the legislative assembly to get a better sense of realistic long-range funding levels. The Task Team discussed**

**revising the recommendation to reflect that INDOT cannot adequately plan for the future or operate at peak efficiency unless it has knowledge of longer-term future funding levels.**

**Before leaving the meeting, Mr. Novreske reiterated his respect for the work INDOT employees perform and thanked the Task Team for the opportunity to attend the meeting.**

#### **General Discussion**

**The Task Team discussed Mr. Novreske's comments and the draft of recommendation three, and made the following comments and suggestions:**

- INDOT's Long-Range Plan outlines the needs for the next 25 years. A good transportation system is essential to the state, benefits everyone and is a good use of state funds.
- The Task Team should submit a recommendation that would require the Legislature to work with INDOT to plan and finance future (10 years minimum) operations, with the plan to be reviewed annually.
- The Legislature needs to review, understand and approve INDOT's Long-Range Plan and either plan for the funding of the Plan or indicate a specific amount that will be allocated to INDOT.
- INDOT should prioritize projects based on available funding and provide the Legislature with a specific timeline for projects, including start and completion dates.
- When INDOT's future funding levels are known, the construction industry will be able to plan accordingly.
- INDOT could make a case that the economic impact its work has on the state could actually help in the turnaround of the state's economy.

**Mr. Kahl agreed to revise recommendation three to focus more on the issues raised during today's discussion. Before leaving for a previously scheduled meeting, Mr. Baranyk requested INDOT staff provide him with an electronic copy of the Cambridge Study distributed at the July 23 meeting.**

#### **Update of Recommendation One**

- Mr. Kahl distributed information INDOT furnished on potential cost savings associated with potential changes in how INDOT's Human Resources Division operates [Attachment C]. Mr. Davis distributed a revised version of recommendation one on personnel issues [Attachment D] that includes the cost savings information. He requested that comments on the recommendation be sent to him prior to the August 20 meeting.

#### Update of Recommendation Two

- Mr. Kahl referenced recommendation two on consultant project staffing discussed at the July 23 meeting [Attachment E] and noted that it addresses what the staffing needs would be if the INDOT construction budget increases to the levels projected in the Long-Range Plan. He also referenced the revised information provided by INDOT on the cost of INDOT project staffing vs. consultant project staffing [Attachment F].
- Mr. Jeffers suggested the Task Team consider submitting a more general recommendation on this issue that INDOT continue to review its procedures on development and inspection work. Mr. Kahl suggested the recommendation not focus on the funding needs, but highlight the fact that INDOT needs flexibility in implementing staffing procedures. Mr. Davis agreed that INDOT needs flexibility to adjust staffing needs for varying program levels.

**The Task Team discussed the possibility of consolidating recommendations one and two and make flexibility the key focus of the recommendation to the Commission. Mr. Davis agreed to revise those recommendations to include language that supports the fact that INDOT would operate more efficiently if it had flexibility and authority to make changes to its own workforce.**

#### Next Meeting

- The Task Team must deliver its final recommendations to Mr. Baranyk by September 3. Following the same bi-weekly meeting schedule, the Task Team agreed to conclude its business at the August 20 meeting and plan to meet on September 3 if necessary.
- The next meeting is scheduled for Friday, August 20, 2004 from 9:30 a.m. until 1:00 p.m. The meeting will be held in Conference Room 12 of the Government Center South, 302 West Washington Street, Indianapolis.

#### Adjournment

- With no further business, the meeting was adjourned at 12:25 p.m.

Submitted by Charles V. Kahl, ICI  
August 2004